

Department of Finance and Administration

Legislative Impact Statement

Bill: HB1698

Amendment Number: S2

Bill Subtitle: TO ALLOW DELINQUENT PROPERTY TAXES TO BE SET OFF AGAINST STATE TAX REFUNDS IN WHOLE OR IN PART; AND TO AMEND THE LAW CONCERNING THE FEE CHARGED FOR SETTING OFF DEBTS AGAINST STATE TAX REFUNDS.

Basic Change :

Sponsor: Rep. Jett and Sen. J. Dismang

Senate Amendment No. 2 --- HB1698-S2 (engrossed 4/21/21) deletes Section One in its entirety. The reduction of the collection assistance fee from 10% to 5% remains in the bill.

Senate Amendment No. 1 --- HB1698-S1 (engrossed 4/20/21) amends the bill to provide that the proceeds collected by the Department of Finance and Administration for delinquent personal property taxes and any related penalties as a result of a setoff against a taxpayer's income tax refund shall be credited to the benefit of the delinquent taxpayer. HB1698-S1 removes the reference in this section of the bill to delinquent real estate taxes.

Original Bill --- HB1698 amends § 26-36-201 to provide that delinquent real property taxes, delinquent personal property taxes, and any related penalties are subject to setoff against a taxpayer's income tax refund by the Department of Finance and Administration (DFA). The proceeds collected by DFA for delinquent property tax debts and penalties shall be credited to the benefit of the delinquent taxpayer even if the amount collected is less than the full amount of delinquent property tax owed by the taxpayer. Under current law, county collectors and county treasurers are "claimant agencies" authorized to utilize the setoff procedures under § 26-36-301 to collect a debt.

Under § 26-36-316, the Revenue Division of the Department of Finance and Administration deducts five percent (5%) of the proceeds collected through setoff as a collection assistance fee. This fee is ten percent (10%) when the claimant agency is a circuit court, county court, district court, city court, or housing authority. The fees collected are credited to the Constitutional Officers Fund and the State Central Services Fund. HB1698 amends § 26-36-316 to provide that the collection assistance fee will be five percent (5%) for all debts DFA collects via setoff.

Revenue Impact :

Reducing the collection assistance fee of 10% to 5% would result in an estimated \$45,000 in reduced deposits to the Constitutional Officers Fund and the State Central Services Fund.

Taxpayer Impact :

The collection assistance fee would be reduced from 10% to 5% in circumstances where the claimant agency is a circuit court, county court, district court, city court, or housing authority.

Resources Required :

None.

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Time Required :

Adequate time is provided for implementation.

Procedural Changes :

Computer programs, tax instructions and training manuals will need to be updated. Department employees will need to be educated as well as the tax community.

Other Comments :

None.

Legal Analysis :

None.